

# Russian Entrepreneurs in London: Are They Flying Business Class?

## Abstract

This paper's objective is to examine transnational nature of new entrepreneurial community through the "forms of capital" framework (Ram et al, 2008, Vershinina, et.al. 2011). This study examines the stories of fourteen Russian entrepreneurs, who set up their business in London, UK. Fourteen firms from different sectors participated in this study with Russian business owners as participants who engaged in two hour semi-structured interviews. Themes were developed through iterations of the transcribed data with reference to broader theoretical contexts. Their businesses are not aimed at the enclave economy with reliance on co-ethnic migrant customers. Instead, their entrepreneurial activity in London is influenced by the transnational nature of their social and professional networks. The main contribution of this paper is to show that Russian transnational entrepreneurs, unlike other ethnic groups utilise the unique combination of financial, social and cultural capitals to their business advantage.

**Key Words:** Russian Entrepreneurs, Transnationalism, Forms of Capital, Mixed Embeddedness

## Introduction to Russian Entrepreneurship

The literature on Russian entrepreneurs is scarce, and most papers focus on their entrepreneurial characteristics and the ethical dimensions of running a small business within the Russian context (Hisrich and Grachev, 1995, Hisrich and Grachev, 2001). US-based authors have explored Russian entrepreneurs in the context of their perceptions of the local Russian institutional environment, social network effects, and individual characteristics as determinants of their entrepreneurial behaviour (Batjargal, 2006; Djankov et. al., 2005). Dragunova (2006) looked at the national features of Russian entrepreneurship through the influence of social structure, geographical location, religious and language features thus defining a socio-economic portrait of Russian entrepreneurs. In summary most studies of Russian entrepreneurs have looked at their motivation for self-employment in the Russian context, which is characterised by political and economic uncertainty and driven by tension between constant changes in the economic climate.

The focus of this paper is on Russian entrepreneurs operating in a completely different setting - London, UK. Our knowledge about this ethnic group is based on the media interest generated by super-rich Russians buying up high profile businesses and properties in London, and little is known about those Russian migrants who have established smaller scale new businesses in UK in recent years following traditional entrepreneurial process. The purpose of this paper is to consider Russian migrants engaged in self-employment in London, where the majority of Russian entrepreneurs start and/or operate. 'Ethnic entrepreneurship' is the term used to describe entrepreneurial activity within minority ethnic groups like this. Unlike other ethnic minorities, the demographics of the Russian immigrants, in particular the size, age and gender composition, as well as their skills level and educational background, is subject to much media speculation, and as such this affects our understanding of the professional activities of those people.

Hence, in order to fully explore the Russian entrepreneurs operating in London, UK, it is important to draw together two strands of literature normally considered separately: entrepreneurship literature and literature on transnational migration. They will help explore the reasons for the Russian migrants' embeddedness in the UK economy. This will also be placed in the context of Kloosterman's (2010) mixed embeddedness approach, so as to ensure a balance between migrants' own motives and the structural influences shaping them. Transnationalism is defined by Vertovec (2009) as multiple ties and interactions linking people or institutions across the borders of nation-states. The collective attributes of such connections, their process of formation and maintenance, and their wider implications are referred to broadly as "transnationalism" (p.3).

Ram and Jones (2008) call for research that is able to locate ethnic minority entrepreneurship in its political and economic contexts with development of potential new topics in particular exploring 'new communities' and super diversity, such as in the case of this paper – Russian migrant entrepreneurs operating in London. The core research question is to explore the combination of financial, social and cultural capitals which Russian entrepreneurs draw upon whilst operating their business ventures in London, and how these resources allow

achieving a fit to the structural influences presented by the political and economic environment in the UK for these entrepreneurs.

This paper's scholarly contributions are to the theoretical development and examination of a new community, hardly explored in the literature in the context of the broader entrepreneurship literature, by extending the "forms of capital" framework (Ram et al, 2008, Vershinina, et.al. 2011), as the entrepreneurial activity of such ethnic migrants cannot be examined in isolation from other economic, political, social, and regulatory processes. Thus, our paper builds on the work by Kloosterman (2010) on mixed embeddedness of ethnic migrant workers, where the latter places these entrepreneurs in the wider social, political, economic and institutional context and opportunities structures which exist in the host community and allow the ethnic entrepreneurs to act upon those conditions.

The article is organised as follows. We first look at literature on ethnic minority entrepreneurship, within which we explore the new community group – Russian entrepreneurs. As such we focus on entrepreneurship, as one of the possible employment opportunities that is available for such migrants, which to date has received little coverage. We then look at the transnational nature of Russian business activity and draw on transnational migration literature in our explanation of uniqueness of this ethnic group. The findings from the interviews with fourteen Russian entrepreneurs running variety of businesses, however all at high end, provide with rich accounts of key resources used in starting these ventures up. By applying the "forms of capital" framework in the analysis of these entrepreneur's stories, the main contribution of this paper, is to argue that for Russian transnational entrepreneurs, unlike other ethnic groups, have access to the unique combination of financial, social and cultural capitals, which align with the prevailing positive economic and regulatory environment of the UK. This precedes the discussion and conclusions sections of this paper.

### **Ethnic Minority Entrepreneurship Literature**

The first strand of literature this study draws upon is rooted in the research on ethnic minority entrepreneurship, which originated with two main theoretical approaches used separately and together to explain why migrants become self-employed: the "culturalist" and the "structuralist" approaches. These approaches explain the self-employment orientation of ethnic migrants as a result of the social embeddedness of individuals within their ethnic culture and structural difficulties they face in adapting to their new home country as well as the direct and indirect labour market discrimination they are subjected to, such that entrepreneurship provides a means of economic survival (Portes 1995, Waldinger et al. 1990).

These approaches were further developed by applying the "forms of capital" framework originally coined by Bourdieu (1983), which helped identify the level and availability of resources that are available to ethnic migrants when setting their venture up. Bourdieu (1986, p.46) argued that "capital takes time to accumulate, and presents different capacity to produce profit", however, "the structure of the distribution of the different types and sub-types of capital at a given moment in time represents an [immanent] structure of the social world" with its constraints which predict the success of the venture. Capital takes different forms presented in Table 1 below.

Table 1 Forms of Capital: Capsule Definitions

<b>Capital:</b>	<b>A store of value that facilitates action</b>
Financial capital:	Money available for investment.
Physical capital:	Real estate, equipment, and infrastructure of economic production.
Human capital:	Training that increases productivity on the job.
Cultural capital:	High cultural knowledge that can be turned to the owner's advantage.
Social capital:	Relationships of trust embedded in social networks.

Source: Light (2004)

However, the ethnic minority entrepreneurship literature utilised three particular forms of capital in the attempt to understand the key resources ethnic migrants acquire and exchange during their business set-up and development. These include:

- *economic* or *financial* capital, represented in money and any other monetary forms of this capital available to invest in the venture (Light, 2004);
- *social* capital, which means relationships of trust embedded in social networks (Jacobs, 1961). Social capital's current prominence and formal definition stems most centrally from the work of Coleman (1988), who argued that social relationships become capital, a store of value, when and because participants can rely upon one another to uphold social norms and to reciprocate favours.
- and finally, *human* capital, which is represented by investment in one's training, i.e. education and re-training (Becker, 1993).

The extant literature on ethnic minority entrepreneurship, however, very rarely utilises the cultural capital, originally coined by Bourdieu (1979: 10), which is defined it as high cultural knowledge that ultimately redounds to the owner's financial advantage.

Furthermore, further developments of ethnic minority entrepreneurship literature have allowed us to view these ethnic migrant entrepreneurs utilising the different forms of capital in their attempt to adapt themselves to the host environment of countries where they have set up their businesses. The mixed embeddedness approach developed by (Kloosterman et al. 1999; Kloosterman and Rath 2001; Rath and Kloosterman 2002; Kloosterman 2010) has become a mainstream approach to ethnic entrepreneurship. Mixed embeddedness places ethnic entrepreneurship within the wider social, political and economic institutional frameworks and opportunity structures of the entrepreneur's adopted homeland (Jones and Ram 2007; Kloosterman, 2010). It seeks to go beyond the culturalist and structuralist approaches by highlighting ethnic entrepreneurs' embeddedness in co-ethnic social networks, and the interpretation of these in the context of being embedded in wider sectoral, spatial and regulatory environments. While, mixed embeddedness has mostly been used to focus on im/migrant entrepreneurship, it has also been applied to older ethnic communities (Peters 2002; Vershinina et al. 2011). This is possible due to the prevailing opportunity structure (i.e. regulatory environment), but also depend on the resources available to individuals at the time of the venture start-up.

For the purpose of the present study, Russian ethnic entrepreneurs and their business activities will be analysed using the forms of capital approach, and examined within the setting determined by wider sectoral, spatial and regulatory environments in London. Looking in particular at cultural capital, which is very pertinent to a study of new ethnic groups, new insights into Russian ethnic entrepreneurs operating in London will be highlighted.

## **Transnational Migration and Entrepreneurship**

We will now move to the second strand of literature this study draws upon, the literature on transnational migration and entrepreneurship. Glick Schiller *et al.* offer a rationale for the use of a new analytic framework, making a case for the introduction of two new terms: 'transnationalism' and 'transmigrants' within this study. The former refers to 'the process by which immigrants build social ties that link together their country of origin and their country of settlement', while the latter refers to the 'immigrants who build such social ties' by maintaining a wide range of affective and instrumental social relationships spanning borders (Glick Schiller *et al.* 1992, p. 1; Basch *et al.* 1994, p. 27). Glick Schiller (1997, p. 158) makes this more explicit, when she contends that by embracing these concepts, scholars are 'discarding previous categorizations of return, circulatory, or permanent immigration'.

Furthermore, Levitt, DeWind and Vertovec (2003, P.567) argue that transnational migrants are embedded in multi-layered social fields and to truly understand migrants' activities and experiences, their lives must be studied within the context of these multiple strata. This resonates with the concept of mixed embeddedness developed by Kloosterman (2010) that has become prominent in ethnic entrepreneurship studies. By looking at the literature on transnational migration and entrepreneurship it can be argues that a new theoretical paradigm can be developed, as the new times and new socio-historical circumstances demand new approaches. Portes (1998, p.557) called for employing the idea of transnationalism in analysing new immigrant communities, and this is only beginning to happen within the ethnic entrepreneurship literature.

The "Forms of Capital" framework (Bourdieu, 1983) also resonates with transnational migration literature as, depending on immigrants' economic and socio-cultural resources and their location in the economic and political structures of the host city/country where they reside and the home-country/region they originate from, their transnational business engagements may combine with assimilation and ethnic entrepreneurship may or may not lead to integration into the host society. Morawska (2004, p.325) argues that this proposition is derived from the structuration theoretical framework. Whereas the long-term and immediate configurations and pressures of forces

at the upper structural layers set the “dynamic limits” of the possible and the impossible within which people act, it is at the level of the more proximate social surroundings that individuals and groups evaluate their situations, define purposes, and undertake actions the intended and, often, unintended consequences of which, in turn, affect these local-level and, over time, larger-scope structures.

Regardless of the various perspectives on the origins of labour migration, all contemporary scholarship converges on the concept of social networks as a key factor sustaining it over time (Portes and Bach 1985; Massey *et. al.* 2002). Social networks link not only migrants with their kin and communities in sending countries; they also link employers in receiving areas to migrants. These ties underlie the emergence of such phenomena as chain migration, long-distance referral systems to fill job vacancies, and the organization of a dependable flow of remittances back to sending communities

### **Who are Transmigrants?**

A working definition of a transmigrant for the purposes of the present research is - a migrant who utilises the social ties across borders. Indeed, Levitt *et.al.* (2003) argue that some migrants maintain strong, enduring ties to their homeland even as they are incorporated into countries of resettlement. The authors contend that individual transnational experiences must be understood with reference to their families and households; their participation in political, religious and community organisations and their relation to the national and international policy regimes within which transnational activities take place.

Transnational migrants lead transnational lifestyles, which imbue these migrants with the resources and power they needed to challenge the class, gender and racial hierarchies that had constrained them in the country of origin). Certainly, today's new technologies of communication and transportation allow migrants to sustain more frequent, less expensive, and more intimate connections with people abroad than before. Such technologies enable migrants to remain active in their sending communities more regularly and influentially than in the past. Furthermore, more uncertain labour market demand and employment relies on maintaining the ties to resources back home (Levitt, *et.al.*, 2003).

Moreover, social context encountered by migrants is much more tolerant of ethnic diversity nowadays and long-term transnational connections compared to the past when assimilation was demanded more strenuously. Rather than feeling pressure to abandon their unique traits, some migrants feel encouraged to maintain, if not celebrate their social, cultural differences that sustain their ties back home. (*ibid.*, P.569) At the same time the spread of global culture is reducing some of the distinctions between home and host societies that migrants must bridge in order to live in more than one country.

In terms of business activity, transmigrants configure packages of livelihood strategies, piercing together opportunities in their sending and receiving countries to reap the greatest rewards. Some migrants continue to participate actively in the economic, political and religious lives of their homelands and hence achieve and upward mobility in both contexts. ( *ibid.*, p.571)

According to Portes *et.al* (2002, p.293) transmigrants' entrepreneurial activity is reliant on continuing ties with their home countries. Transnational economic activities are not associated with recency of arrival or with marginal economic status, which is one of the arguments often used in the ethnic entrepreneurship literature. Instead, transnational entrepreneurs are part of the elite in their respective communities in terms of education and legal standing, and they derive from these activities higher-than-average incomes compared with the wage/salaried majority.

In the present study, Russian ethnic entrepreneurs participating in this study are considered to be transmigrants due to their unique set of cultural traits that they retained, even though they assimilated into the UK environment, however, their strong bond with other Russian migrants as business partners, members of their social networks living abroad helps us re-define them as transnational migrants.

### **Context : Russian Entrepreneurship**

The literature on Russian entrepreneurs is scarce, and most papers focus on defining their entrepreneurial characteristics and comparing them with their Western counterparts as well as focusing on the ethical dimensions of running a small business within the Russian context (Hisrich and Grachev, 1995, Hisrich and Grachev, 2001). Smallbone and Welter ( 2001, p.252) argue that Russian entrepreneurs utilise political influence for private gain. Dragunova (2006) looked at the national features of Russian entrepreneurship through the influence of social

structure, geographical location, religious and language features thus defining a socio-economic portrait of Russian entrepreneurs.

American authors have explored Russian entrepreneurs in the context of their perceptions of the local Russian institutional environment, social network effects, and individual characteristics as determinants of their entrepreneurial behaviour (Batjargal, 2006; Djankov et. al., 2005). According to them, Russian society represents a unique situation in that there is a lack of trust at the state level and very high levels of trust at the interpersonal level (Batjargal, 2003; Rose-Ackerman, 2001). Most Russians hence, consider state and public organisations to be unreliable and unpredictable entities that cannot be trusted. Butler and Purchase (2008, p.531) argue that high levels of trust are placed in interpersonal networks, with social connections playing an important business role, especially for information transfer. These social networks are important in uncertain and unstable economic environments, like Russian; as such trust mitigates risk and reduces influence of turbulent macro-environmental changes (Batjargal, 2003).

With the Russian economy being characterised as laden with turmoil and uncertainty, exhibiting all the aspects of political risk, the future of Russian market and entrepreneurial activity within it is tightly interwoven with the progress of its reform struggle and the attitude of the world community towards it. (Zarkada-Fraser and Fraser, 2002, p.104) Aidis et.al.(2008, p.657) have reported a study of institutions and entrepreneurship development in Russia based on Global Entrepreneurship Monitor's (GEM) dataset, which suggests that the entrepreneurship levels in Russia are significantly lower than in other countries that made transition from communism to capitalism. They argue that only a few individuals undertake start-up activities in Russia, and they tend to be older, male and educated. The strong ties between business and state administration in the Russian economy seems to provide greater opportunities for existing entrepreneurs rather than attract newcomers to establish start-ups. Similarly, Djankov et.al. ( 2006) presents that Russian entrepreneurs tend to come from a higher educational background, but have a more negative perception of the institutional environment in which they operate.

In summary most studies of Russian entrepreneurs have looked at their motivation for self-employment in the Russian context, which is characterised by political and economic uncertainty and driven by tension between constant changes in the economic climate. Only one recent study investigated Russian immigrant entrepreneurship in Finland by Jumpponen et.al. (2007). Key findings from this research reported are that Russian owned immigrant businesses in Finland are not created with the help of public funding or any other supporting activities from the host country. Russian owned companies in Finland operate at rather large selection of industries, and in most cases they are able to grow, produce large turnover, and gain significant profit. Whilst Russian owned companies are often active in importing or exporting, there was no evidence reported of catering for any specific co-ethnic markets.

The focus of this paper is on Russian entrepreneurs operating in a completely different setting - London, UK. Current knowledge about this ethnic group is based largely on the media interest generated by super-rich Russians buying up high profile businesses and properties in London, and little is known about those Russian migrants who have established new businesses in UK in recent years following traditional entrepreneurial process. With the previous research identifying the Russian entrepreneurs as risk taking, not trusting the regulatory system in Russia, would they behave differently in a different structural, economic, political and regulatory environment?

Hence, the purpose of this paper is to consider Russian migrants engaged in self-employment in London, where the majority of UK-based Russian entrepreneurs start and/or operate. This will be done through a prism of two theoretical lenses: "forms of capital" framework and mixed embeddedness approach, which will place these entrepreneurs within the opportunity structure characterised by the wider economic, political and regulatory environment, which will be juxtaposed by the investigation into their transnational connections that help develop the Russian entrepreneurs to develop their ventures in UK and globally. In the next section of the paper, the methodological approaches to conducting such study will be presented.

## **Methodology**

A conceptual framework has been developed based on "forms of capital" and transnationalism literature and tested empirically (see Vershinina et. al. 2011, Ram et.al. 2008). This study examines ethnic entrepreneurship of Russian migrants not only as a function of capital, but how these forms were used and converted within certain institutional frameworks both in Russia and UK, and what opportunity structures and historical contexts these countries brought to the fore.

Fourteen firms from different sectors were recruited for this study with their Russian business owners as participants, and all represent upmarket ventures. The interviews with fourteen Russian entrepreneurs engaged in running ventures in various sectors of the economy have been conducted in the summer 2011. The sample of entrepreneurs was sought through a number of networking clubs, i.e. Russian Entrepreneurs in UK, RusStyle Ltd, etc, by attending networking meetings organised by these organisations, as well as follow up via Facebook and Linked In social networking sites. The contacts generated at networking events allowed developing strong links with the respondents, who then were able to recommend other Russian nationals they are in contact with, who are running businesses in London; hence the sampling technique used in this research can be referred to as snowball sampling.

Like in Vershinina et al (2011) and Ram et al (2008), to understand the entrepreneurs' motivations to pursue self-employment the qualitative data was collected in two hour semi-structured interviews based on forms of capital framework. Prompts included questions about their immigration history, their community integration and involvement, their family and friends in Russia and other transnational connections, their education, values, attitudes, and cultural symbols which framed their daily interactions with others.

Additionally, motivations for self-employment, when, how and why they established their business and the support, resources, national and transnational networks they drew upon were discussed during the interview. Furthermore, the nature of business information, customers, suppliers and workers (i.e. whether they were embedded in co-ethnic networks) were highlighted in two-hour interviews. In developing the narratives of their lives that lead them to setting up their business in the UK, Russian entrepreneurs' memories, stories and artistic creations that are harnessed to express transnational membership ought not to be overlooked, even if they fall outside the purview of traditional research methods.

The relationships within data were sought and an interpretive schema was developed to describe their knowledge, beliefs, and values as well as symbolic representations of different forms of capital they employed, including cultural capital, rarely presented in ethnic entrepreneurship literature. Themes were developed through iterations of the data with reference to broader contexts and the findings are generalised back to theory (Eisenhardt, 1989).

## **Results and Implications**

The interviews conducted with fourteen Russian entrepreneurs operating in London followed a theoretical schema based on questions related to their use and convertibility of different forms of capital (Bourdieu, 1986), and the role of transnationalism in their business activity (Portes, et.al, 2002).

The demographic information about the fourteen participants and their businesses is presented in Table 1 below. These participants represent different age groups (including five participants in the age group of 25-34 yrs ; five participants in the age group of 35-44yrs, and finally four participants in the age group of 45-54yrs.), however, they have similar high education level whether achieved in Russia, UK or another country. Various sectors of industry are represented, with core focus on either Russian speaking clientele, or general mass market representing variety of clients available in London. For a lot of the participants, their current venture is not their first, as all participants have had entrepreneurial experience of buying and selling goods and services back in Russia, or the country of habitation prior to moving to the UK.

A notable characteristic about the businesses in this study is the location of their office or retail premises. Most of the businesses are located in central London with good underground connections, and the location of each business coincides with an up-market area. The participants explained the rationale of the choice of location, as there is much more customer traffic in those areas, including people working in the City, tourists, or people generally shopping in famous shops, or visiting museums and galleries. This is one of the major differences between Russian entrepreneurs interviewed, and studies on ethnic minority entrepreneurship looking at other ethnic groups, who seemingly do not position themselves into such affluent category.

Table 1. Participants' Demographic information

Participant	Gender	Age of Business owner	Nature of Business Activity	Age of the Business	How Many employees (Russian)	Highest Qualification
AB1	F	35-44	Networking	2 years	2(1)	MSc in UK
AB2	F	45-54	Lifestyle Management and Commodity trading	2 years	2(1)	MBA from UK
AG1	M	35-44	Property and Accounting Services	2 years	2(1)	Degree in Russia MSc in UK
AN1	M	35-44	Education	8 years	40(20)	Degree from Russia and MPA in UK
IF1	F	45-54	Off Market Property Sales	9 years	3(1)	Degree in Economics from Moscow
II1	M	25-34	Cafe	2 years	2(2)	MSc in UK
IY1	F	35-44	Art Sales	3 years	3(1)	Degree from Russia Training in UK
JF1	F	25-34	Delicatessen	1 year	3(2)	BA and MSc in UK
NB1	F	25-34	Networking	2 years	3(1)	MSc in UK
OS1	M	45-54	Legal Firm	5 years	6(2)	Law Degree in Russia LLM in UK
RG1	M	35-44	IT services/ software for smart phones	2 years	8(2)	MSc in UK
SL1	F	25-34	Legal Firm	1 year	5(2)	LLM in UK
SL2	F	45-54	Organic Natural products internet store	1 year	2(2)	Degree in Russia Entrepreneurship training courses in Finland
TL1	F	25-34	Translation Services	3 years	6(3)	Degree in Russia MSc in UK

Source : Sample of participants

#### *Motivations for Business Start-up*

The motivations for business start-up amongst the fourteen participants were varied, but represented traditional notions. Some of them have been handed the opportunity for business start up by their former clients. For AB2 it was the fact that she was fed up working in the banking sector and the new business opportunities emerged. She has met a lot of clients throughout her career in banking, and then headhunting, so once she quit those jobs, she developed a new idea for these clients that had earned her a premium. She was asked by a number of clients if she could recommend a nice house-keeper / concierge with good references and work experience in wealthy families. As she knew quite a lot of people in those circles, she was able to easily fix this problem for those clients, and they said, 'why don't you run this as a business?'.

For others, the inability to work in another country prior to coming to the UK, had led them to take up entrepreneurship training, which resulted in them running a number of business. For SL2, who joined the entrepreneurship training course whilst living in Finland, and with her best friend (another Russian lady married to a Finn) they set up a shop in Helsinki as their first venture. The start up capital was low, and she used her connections from Italy, Spain, and Russia in the form of suppliers, potential customers to agree favourable terms. She was able to open a store selling organic natural food products, which was a tremendous success. In 1998 it had to move to internet selling only, as she moved to Spain, and then to the UK. She is currently running this online business alongside a new business venture in London, where she and her partner are consulting small businesses, and helping them to find collaborations abroad. She said her key motivation was that she just could not 'not be busy', and with her experience and connections, this was a natural path.

For AG1, his background in property and investment from Moscow, and participation in a number of large important construction projects have provided grounding for confidence, and access to funds, that allowed him to set up his own property firm with two current projects in London, where the new properties are being built near Richmond Park, and Blackfriars.

'The financing comes from Moscow, and with my partners we are aiming to make a lot of money on sale of the boutique flats and offices in these locations. Initially we focused on rich Russian clients, but now we get Chinese, Arab customers who are prepared to pay premium for what we are able to offer'.

He has now extended their activity into provision of accounting services which are looked after by his wife.

Similarity for IF1, the working experience at the international realty firm, and being in charge of the firm's Russian desk, provide her with key contacts and knowledge of the industry, so when she quit her job, she decided to specialise in the exclusive "off the market property" search and sales, specialising in sales of larger properties, i.e. hotels for re-development.

For some it was lack of Russian cultural symbols, and a vision to set up a cafe selling Russian food in central London. YF1 and II1 came up with the idea to set up a delicatessen in London near Harrods, whilst they were studying in Cambridge for Masters in Tourism. The financial capital provided by their families in Russia was sufficient, but they wanted to do something completely different. Their shop and cafe is located over two floors, and they offer traditional Russian blinis, borsch, tea, sweets and spices upstairs, and the deli downstairs offers variety of Russian food items including cured sausage, pickles and caviar. The owners were clearly motivated by the lack of places in the area that would sell ethnic type foods. The shop has received a lot of publicity recently, as the owner has tried really hard to also source local produce for the cafe, thus tapping into a mass market of shoppers near Harrods.

For AN1, the business idea was born, whilst he was studying in Oxford for his degree. He was involved in a number of extracurricular activities, and met a lot of friends, who wanted to help others in their countries to get admission to Oxford University. The idea of firstly acting as a legal guardian, then helping with application paperwork, and explaining the process of application, later developed into running tutorial colleges in 8 locations, including Oxford, two office in Moscow, St.Petersburg, London, Monaco, Tokyo, Tuscany and Dubai.

For NB1 and AB1, who were originally working in Canary Warf for banking institutions, there was clearly lack of events organised for business people, in particular of Russian origin to meet and exchange ideas. The networking events organised by now their competitors lacked finesse, and both ladies decided to take the plunge and started their own networking company, now project-managing events not only for Russian speaking business men and women, but they are involved in product launches, organised trip, for instance to Formula 1 and other worldwide events.

With these few example it can be seen that the businesses set up by this groups of Russian entrepreneurs require large investment, and this is not typical of ethnic businesses, that tend to start with low start-up capital and rely on ethnic customers.

#### *Forms of Capital Approach and the role of Mixed Embeddedness in Business Activity*

A forms-of-capital approach (Bourdieu, 1983; Nee and Sanders, 2001; Ram et al., 2008) was used to frame the analysis of the interviews undertaken with Russian entrepreneurs operating in London. This has been done taking into account Bourdieu's (1983, p. 242) argument that "it is in fact impossible to account for the structure and functioning of the social world unless one reintroduces capital in all its forms and not solely in the one form recognised by economic theory". The forms of capital considered were those as Bourdieu (1983) originally outlined – economic capital, social capital and cultural capital with addition of human capital, and presented in Table 2 below. With the help of Light (2004) one can see how these different forms could be stored and their capacity for convertibility into other forms, which is a key to understanding entrepreneurial activity.



Table 2 Evidence of capitals utilised by the Russian entrepreneurs

Participant	Gender	Age of Business owner	Evidence of forms of capital utilised			
			Economic	Transnational / Social	Human	Cultural
AB1	F	35-44	✓	✓	✓	✓
AB2	F	45-54	✓	✓		✓
AG1	M	35-44	✓	✓	✓	✓
AN1	M	35-44	✓	✓	✓	✓
IF1	F	45-54	✓	✓		✓
II1	M	25-34	✓	✓	✓	✓
IY1	F	35-44	✓	✓		✓
JF1	F	25-34	✓	✓	✓	✓
NB1	F	25-34	✓	✓	✓	✓
OS1	M	45-54	✓	✓	✓	
RG1	M	35-44	✓		✓	✓
SL1	F	25-34	✓	✓	✓	✓
SL2	F	45-54	✓		✓	✓
TL1	F	25-34	✓	✓	✓	✓

Source : Sample of participants and interview transcripts

Data indicate that *social capital* arising from a shared Russian nationality and ethnicity or the same country of origin was only one form used by these Russian entrepreneurs. Some interesting similarities emerged between these ethnic entrepreneurs and more traditional accounts of entrepreneurship. For instance, the reasons for becoming self-employed were similar to the general motivations for entrepreneurship including the desire for financial independence, seeking better life and work conditions in the market which they could exploit with their product or service through the “opportunities” Williams (2005). Moreover, prior experience of running the business in another country, and key connections that provided clients, as well as finance, have fuelled the venture start up. For instance, SL1 having completed her law degree, was offered a position to work for the well established Law firm, but the connections she has made whilst studying allowed her to identify a need for her own Law firm to be set up, that helps British firms to work with Russian counterparts. Similarly, another entrepreneur, SL2 explains:

‘My new business in London in partnership with my British boyfriend, which connects clients in the UK with clients in Finland, Sweden, Spain and Italy did not need much of the investment, apart from Blackberry. On a side we even became wine merchants, as he makes me attend networking events organised by Russian diaspora, the Danish / Finish business association, so there are business opportunities, which one can seize every day’.

The *economic capital* was a fundamental resource which was made available to these entrepreneurs through their families in Russia, and /or their friends and business partners eager to invest into Russian led ventures based in the UK. Clearly the trust from their partners was earned through long term prior experience of working together on projects, but for the majority, this is one capital they did not lack at all. This is not the same as in other ethnic communities, for instance Somalis and Polish operating in the UK (Ram et.al., 2008, Vershinina, et.al, 2011).

AG1 explains: ‘My partners from Moscow finance the projects, and the business is doing very well so far. We have concentrated on Russian cash rich clients originally, but now the Chinese and Arabs are our key clientele, but we do not mind. I have a number of other avenues apart from property sale that I am making a living of. I could not do this in America, as I was too far from Russia. London is a perfect place to make money for me and my business counterparts.’

What was also important is *cultural capital*, such as in the case of NB1 and IB1, where the business venture was linked to Russian clients initially, and developing the service of business networking specifically customised for this ethnic group with use of Russian symbols, i.e. caviar, vodka, and Russian music. This venture however, was not focused on Russian clients only; it reached mass market, by offering the Russian symbols as a way to get clients through the doors. Similarly, for YF1 and II1, the Russian delicatessen was also a cultural symbol, targeting Russian migrants and tourists who shop near Harrods, which provided them with nostalgic foods and

gifts. By combining the community perspective of sourcing local foods and producing, for instance, Russian salad using the traditional recipes, their clientele grew well beyond the Russians. For IY1, the link with Russian art and selling predominantly works of Russian artists allowed to establish a Russian art gallery, which sells large quantities of old and new paintings to a mixed group of customers.

TL1 illustrates: 'I have started the translation services for business clients that worked with me in the past, and through word of mouth, I have generated a lot of customers and great referrals, but we still specialise in Russian language mostly, although we also have recruited staff with other languages. I do not want to spread myself too thin, and want to be known as a quality Russian translation service. There are too many firms that cover too many languages. I guess I am stubborn, maybe a Russian trait, and want to do one thing very well.'

SL2 said 'I could tap into more cultural events, as I see London being in some aspects very similar to St. Petersburg culturally with good night life, bars, restaurants, museums, theatres and concerts. One can always find something to do, and meet new people here'.

All 14 ventures in this study were set up in UK without any complications by the Russian entrepreneurs due to the transparency and openness of the processes involved in business set up, and running a business. As AG1 said, 'in the UK you know exactly how much tax you are going to pay, not like in Moscow, where you are waiting for things to change every second'. For a lot of the ventures there were a number of regulatory barriers needed to be crossed, for instance, in the case of AN1, who need to become a fully accredited immigration consultancy, as they realised that education services his firm was providing was connected with immigration. Similarly for law firms to practice law in the UK, lawyers need certain qualifications, which needed to be obtained by OS1 and SL1.

For SL2, who initially immigrated to Finland,

'The problem was, that Finnish government was happy for migrants to come in and live in Finland, even get paid enough money to afford bills and food, but there was nothing set up to help people learn languages from the authorities. No one was interested. Clearly there were barriers for people to find jobs and get into employment. This has changed later on when huge migration from Former Yugoslavia, and Somalia has started.'

This, however, is not the case in the UK, as with her dual nationality (Russian and Finnish) she was able to start her consultancy business with the help of her business partner without any barriers.

Hence, even with all the capitals in place (economic, social, and cultural) the entrepreneurial activity of such ethnic migrants cannot be examined in isolation from other economic, political, social, and regulatory processes (Kloosterman, 2010), and UK business environment provided positive regulatory framework, which allows for development of successful businesses by entrepreneurs that understand it.

### *The Role of Transnational Connections in Business Activity*

In this paper Russian entrepreneurs are referred to as transmigrants, as they develop and utilise multiple ties and connections which link them with people across the borders of nation states. The transnational connections of the participants were well developed due their immigration history, as the majority have not immigrated directly to the UK. They had some work experience pertinent to their current business ventures in Russia, and other countries, for instance for IF1, it was Italy and France, where she lived for a number of years before she moved to live and work in London. For AG1, having worked in Moscow with a number of reality firms, he moved to USA with the intention to settle, but did not like the place and the distance with Russia, and inability to work on similar projects. When the idea came to move to London, his former business partners supported this move with investments into his new venture. AN1 keeps strong connections with Russia through the network of friends he has made in school, then University in Moscow, and furthermore international and Russian friends he had made whilst studying in the UK. These connections resulted in his setting up the business with some of his former friends in different locations around the world.

SL1 elaborates: 'Most of my business ventures heavily relied on my own connections, and new connections which I was making every day through recommendations of my customers. I have relatives and friends all over the world, and I feel that we are all very mobile, as no one stays in one place for a long time, but I am able to utilise these connections for business purposes with ease. The only person I

send remittances nowadays is my son, who is still studying in Finland. I am very close to a number of friends I have made over the years in Finland of Russian and Finnish origin, and I have now a lot of Russian and British friends in the UK too.'

Similarly, for TL1, the links with Russia back in Moscow, as part of her business model allow for speedy delivery of the translation service she is offering to clients in the UK. For RG1, the connections with his classmates from his IT course in Russia, Estonia, and UK, have been the backbone of the business model too, as this is how his small IT firm is able to develop new smart phone applications in very little time. For IF1, the clients represent the key connections, as they are the ones that provide recommendations to their well-off friends interested in purchasing off the market properties in London.

Each and every one of these entrepreneurs was able to utilise their financial, social, and cultural capital in establishing and developing their business proposition, which somehow, does not fit with traditional choice for businesses amongst ethnic minority entrepreneurs from other ethnic communities. It could be to do with the fact that Russian entrepreneurs, tested by the turbulent environment in Russia, find it easy to spot and act upon the opportunities presented to them by the UK market. Their abilities also coincide with the availability of large amount of financial resources at their disposal, and their risk-taking behaviour, that is paid off by the success and growth that their businesses have been experiencing so far. The cultural capital, represented by Russian mentality, and importance of living in "grand style" encourages them to set up businesses in expensive locations, and changing premium price for their product and services. What could also explain their success is the fact that these high-end ventures are not something everyone else is starting to set up, so these entrepreneurs face little competition. All of these explanations may be plausible, but the most likely reason for these Russian entrepreneurs, succeeding with their Russian by nature ventures, is the transnational nature of the connections they use in their business set up and development, that provides, advice, financial support, and more importantly provide a steady stream of clients, whether of Russian origin, or not. This is what makes these ventures stand out.

## **Conclusion**

Theoretically, the findings of this study cast new light on previously developed ethnic minority entrepreneurship theories and address their applicability to the group of Russian entrepreneurs operating in London. It can be argued in this paper that neither traditional approaches - culturalist and structuralist - explain the choices these Russian entrepreneurs made in establishing their businesses in London.

The forms of capital approach re-confirms the findings that economic capital is one of the most important forms of capital for Russian entrepreneurs that helped their businesses to get off the ground as all 14 entrepreneurs had the maximum amount of investment required transferred to the UK from Russia. However, what also emerges is that these entrepreneurs possess high levels of human capital, unique cultural capital and strong social capital, so all four forms of capital have been imperative in their business activity. Moreover, the transnational nature of their social and professional networks helped identify better business opportunities with much higher profit margins. Orientation towards mainstream but upmarket rather than enclave economies with their business ventures, and at the same time orientation towards a very clearly defined target customer group of very demanding, wealthy consumers, allows the Russian entrepreneurs to develop reputation of a viable business and separate themselves from traditionally underperforming ethnic firms.

However, this paper does not dismiss matters of political economy (Kloosterman and Rath, 2001) in Russia, that push Russian entrepreneurs with their vast financial resources, unique cultural capital and strong transnational networks out of the country, which in effect allows for development of successful businesses in the context of the prevailing positive economic and regulatory environment of the UK (Ram et al., 2008). Portraying the Russian migrant society in the UK helps raise awareness of particular needs of this group, as well as their contribution to London economy. Conveying the key characteristics of Russian businesses and their impact on British economy may influence governmental bodies responsible for development and implementation of immigration policy in relaxing the immigration rules for such groups, which in turn may bring more financial resources into UK.

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